

ELEVENTH REPORT
PUBLIC ACCOUNTS COMMITTEE
(1985-86)

(EIGHTH LOK SABHA)

**COUNCIL OF SCIENTIFIC AND INDUSTRIAL
RESEARCH—ENGINEERING SCIENCE GROUP**

DEPARTMENT OF SCIENCE AND TECHNOLOGY

[Action taken on 171st Report (Seventh Lok Sabha)]



Presented in Lok Sabha on 16 August, 1985

Laid in Rajya Sabha on 16 August, 1985

LOK SABHA SECRETARIAT
NEW DELHI

August 1985/Sravana, 1907 (Saka)

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CORRIGENDA TO ELEVENTH REPORT OF PUBLIC
ACCOUNTS COMMITTEE (EIGHTH LOK SABHA).

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COMPOSITION OF PUBLIC ACCOUNTS COMMITTEE
(1985-86)

CHAIRMAN

Shri E. Ayyapu Reddy

MEMBERS

Lok Sabha

2. Shri J. Chokka Rao
3. Shri Amal Datta
4. Shri Ranjit Singh Gaekwad
5. Shrimati Prabhawati Gupta
6. Shri Harpal Singh
7. Shri Vilas Muttemwar
8. Shri G. Devaraya Naik
9. Shri Rameshwar Nikhra
10. Shri Rajmangal Pandey
11. Shri H. M. Patel
12. Shrimati Jayanti Patnaik
13. Shri S. Singaravadivel
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Rajya Sabha

16. Shrimati Amarjit Kaur
17. Shri Nirmal Chatterjee
18. Miss Jayalalitha
19. Shri Ghulam Rasool Kar
20. Shri Chaturanan Mishra
21. Shri K. L. N. Prasad
22. Shri Ramanand Yadav

SECRETARIAT

1. Shri N. N. Mehra—*Joint Secretary*
2. Shri K. H. Chhaya—*Chief Financial Committee Officer*
3. Shri Brahmanand—*Senior Financial Committee Officer*

INTRODUCTION

1. The Chairman of the Public Accounts Committee, as authorised by the Committee do present on their behalf this Eleventh Report on action taken by Government on the recommendations| observations of the Public Accounts Committee contained in their One Hundred and Seventy-first Report (Seventh Lok Sabha) relating to Council of Scientific and Industrial Research—Engineering Science Group.

2. In pursuance of the recommendation made by the Committee in the 171st Report, instructions have now been issued to Laboratories|Institutes by the Department of Science and Technology (CSIR) to hold meetings of the Research Advisory Councils (RAC) and Executive Committees (EC) at frequencies not less than those prescribed in the bye-laws i.e. not less than two meetings of the RAC and four for the EC in a year.

From the data furnished, the frequency of such meetings held in the year 1983 in respect of Laboratories|Institutes of Engineering Group of Sciences, the Committee have found that the position is not much encouraging as six out of thirteen Laboratories|Institutes of the above group have held meetings of the Executive Committees less than four times and in one case, only one such meeting was held during 1983. Similarly, the number of sittings of RAC for each of the six Laboratories|Institutes has been one only: The Committee have desired that frequency of such meetings in any case should not be less than that laid down in the bye-laws of CSIR.

3. Expressing dismay over the fact that although, a Study Group appointed in 1976 had emphasised the need for establishment of a Project Planning, Monitoring and Evaluation (PME) cell in each Laboratory, for monitoring and evaluation of projects taken up for research concurrently as well as for planning future work, the Committee had in its earlier Report noted that such cells had been established only in 4 laboratories till November, 1983. The Committee have now been informed that Laboratories|Institutes have been required to set up PME Cells in all Laboratories|Institutes. The Committee have again emphasised the need for establishment

of Project Monitoring and Evaluation Cells with appropriate personnel in each and every Laboratory/Institute under CSIR so that the funds provided on all research projects are justified and well spent. The Committee have also desired to be apprised of the progress made in this regard within a period of six months.

4. The Committee considered and adopted this Report at their sitting held on 8 August, 1985. Minutes of the sitting form Part II of the Report.

5. For reference facility and convenience, the recommendations/ observations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in the Appendix to the Report.

6. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

NEW DELHI;
August 12, 1985

Sravana 21, 1907 (Saka)

E. AYYAPU REDDY,
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

1.1 This Report of the Committee deals with the action taken by Government on the Committee's recommendations and observations contained in their Hundred and Seventy-first Report (Seventh Lok Sabha) on paragraph 40 of the Advance Report of the Comptroller and Auditor General of India for the year 1980-81, Union Government (Civil) on Council of Scientific and Industrial Research—Engineering Science Group.

1.2 The 171st Report of the Committee was presented to Lok Sabha on 22 November, 1983. The Report contained 14 recommendations and observations. These have been broadly categorised as follows:—

- (i) Recommendations|observations that have been accepted by Government:

Sl. Nos. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10 and 12

- (ii) Recommendations|observations, which the Committee do not desire to pursue in the light of replies received from Government:

Sl. Nos. 13 and 14

- (iii) Recommendations|observations, replies to which have not been accepted by the Committee and which require reiteration:

NIL

- (iv) Recommendations|observations in respect of which Government have furnished interim replies:

Sl. No. 11

1.3 The Committee expect that final reply to the recommendation in respect of which only interim reply has so far been furnished, will be submitted soon after getting it vetted by Audit.

1.4 The Committee now deal with the action taken by Government on some of their recommendations|observations.

*Planning and Execution of Research and Development Projects—
Meeting of EC|RAC (Sl. No. 1—Para 14)*

1.5 Commenting on holding less number of meetings of the Executive Committees and Research Advisory Councils of the Laboratories|Institutes of CSIR and examination of a large number of scientific projects, i.e. as many as 14 projects on an average at each meeting, the Committee in para 14 of their 171st Report had observed as follows:

“The projects to be formulated by the CSIR Laboratories|Institutes are approved by their Executive Committees which are assisted in their deliberations by Scientific Advisory Committees. The Executive Committee of each laboratory also approves the development plans, allocates resources among various projects and evaluates performance of these projects. Under the bye-laws laid down by CSIR the Executive Committees are expected to meet once in a month but in any case not less than four times in a calendar year. However, the actual number of meetings of Executive Committees and Scientific Advisory Committees of the Laboratories|Institutes has been much less e.g. there were only 14 meetings of the Executive Committees of the Structural Engineering Research Centres, Roorkee and Madras in 7 years (January, 1974 to December, 1980). The position in respect of other Laboratories|Institutes is not much better. The result has been that a very large number of projects had to be evaluated and approved at each meeting. Thus as many as 2165 projects were reviewed at 156 meetings of the Executive Committees i.e. about 14 projects at each meeting. When as many as 14 projects are to be evaluated on a single meeting, the evaluation can only be superficial and perfunctory. Dropping of a project or ultimately a project proving itself infructuous is in the nature of things in any research organisation. This by itself cannot be interpreted as an act of omission. The Committee would not have any occasion to make any comment had the situation been in the CSIR like this. But there is no way of knowing for sure that dropping of a large number of projects in the CSIR fits in this category. On the contrary, scrutiny and sanction of as many as 14 scientific projects on an average in a single meeting do strengthen the belief that the examination of the projects were casual and desultory. If in the end a large

number of projects had to be dropped, it is difficult for the Committee to accept the argument that it is in the nature of things in such research organisations. The Committee would like to express their unhappiness at this situation. They would emphasise that the meetings of the Executive Committees and Research Advisory Committees (which has since replaced the Scientific Advisory Committees) should be held more frequently so that the projects to be taken by CSIR laboratories|Institutes are formulated with thoroughness and the progress of on-going projects evaluated in detail. In any case, the number of meetings should not be less than that laid down in the bye-laws of the CSIR."

1.6. In their action taken reply dated 28 September, 1984, the Department of Science and Technology (CSIR) have stated as follows:

"Labs|Instts. have been directed to hold meetings of the Research Advisory Council and Executive Committee at frequencies not less than those prescribed in the bye-laws (viz. not less than 2 meetings for the RAC and 4 meetings for the EC in a year), *vide* circular No. 5(1)|70-Cte dated 27-3-84. The frequency of such meetings in the year 1983 in respect of Labs.|Instts. of Engineering Group of Sciences may be seen from the table given in Appendix—I which shows an improved picture, and this trend will be further strengthened."

1.7 The Committee in their earlier Report had emphasised that the meeting of the Research Advisory Councils and Executive Committees of the Laboratories/Institutes of the Council of Scientific and Industrial Research (CSIR) should be held more frequently but in any case not less than that laid down in the bye-laws of CSIR so that the projects to be taken by CSIR Laboratories/Institutes were formulated with thoroughness and the progress of on-going projects evaluated in details. The Committee note that instructions have now been issued by the Department of Science and Technology (CSIR) to hold meetings of the Research Advisory Councils (RAC) and Executive Committees (EC) at frequencies not less than those prescribed in the bye-laws viz. not less than two meetings of the RAC and four for the EC in a year.

The Committee are also informed by CSIR that the frequency of such sittings held in the year 1983 in respect of Laboratories|Institutes of Engineering Group of Sciences has shown an improved

picture. From the data furnished, the Committee find that the position is not much encouraging as six out of thirteen Laboratories/Institutes of the above group have held meetings of the Executive Committees less than four times and in one case, only one such meeting was held during 1983. Similarly, the number of sittings of RAC for each of the six Laboratories/Institutes has been one only. The Committee desire that the frequency of such meetings in any case is not less than that laid down in the bye-laws of CSIR. The Committee should also be apprised of the meetings of Research Advisory Councils and Executive Committees of Laboratories/Institutes of Councils of Scientific and Industrial Research held during 1984.

Setting up of Project Monitoring and Evaluation Cell
(Sl. No. 3, Para 26)

1.8 Emphasising need for establishment of project planning, monitoring and evaluation cell in each Laboratory/Institute under CSIR, the Committee had in para 26 of their 171st Report (7th Lok Sabha) observed as follows:—

“A Study Group appointed by the CSIR had in 1976 emphasised the need for establishment of a project planning, monitoring and evaluation cell in each Laboratory/Institute under the CSIR for the purpose of monitoring and evaluation of projects taken up for research concurrently as well as for planning future work. The Committee are dismayed that such cells have so far been set up in four laboratories only, and even in these laboratories the cells have not been equipped with the minimum number of experts required for the purpose and these cells have been performing only clerical functions. Since continuous monitoring, evaluation and future planning are essential for the efficient functioning of any research programme, the Committee desire that early steps should be taken for setting up project planning, monitoring and evaluation cells in such Laboratories/Institutes under the CSIR where these have not been set up so far, and it should also be ensured that these cells are equipped with requisite number of experts. The Committee are of the view that budgetary constraint should not be allowed to stand in the way of setting up of such cells and equipping them properly as these are necessary to ensure that moneys spent on all research projects are justified and well spent.”

1.9 In their action taken reply, the Department of Science and Technology (CSIR) have stated as follows:—

“Laboratories|Institutes in CSIR D.O. Circular No. 2 (19)|84-
Fin. dated 5-5-84 (See Appendix III) have been requested
to strengthen the PME Cell (Project Monitoring and Eva-
luation Cell) with the appropriate personnel according to
the size of the Laboratories|Institutes.”

1.10 Emphasising the need for setting up of Project Planning, Monitoring and Evaluation Cell in each Laboratory/Institute under CSIR, the Committee had recommended in their earlier Report that early steps should be taken for setting up of such cells in each Laboratory/Institute. By way of action taken, the Committee are now informed that Laboratories/Institutes in CSIR have been requested to strengthen Project Monitoring and Evaluation Cell with appropriate personnel according to the size of the Laboratories/Institutes.

The Committee emphasise the need for establishment of Project Monitoring and Evaluation Cell with appropriate personnel in each and every Laboratory/Institute under CSIR to ensure that the funds provided on all research projects are justified and well spent. The Committee would like to be apprised of the progress made in this regard within a period of six months.

Utilisation by Public Sector Undertakings of technology and know-how developed in CSIR Laboratories and Association of CSIR with import of know-how from abroad (Sl. No. 8—Para 60)

1.11 In para 60 of their 171st Report, the Committee had recommended as follows:

“The Committee are surprised to note that even the public sector undertakings in the country are not fully utilising the various facilities developed in CSIR laboratories. In this connection, the Committee feel that the suggestion of the CSIR that they should be associated with purchase of know-how from abroad with a view to further development of such know-how in the country merits favourable consideration. In view of the exhortation of the D.G. CSIR that ‘CSIR is good organisation. Give it work, utilise that work. You will get encouraging results,’ it is desirable that public sector undertakings should make

maximum utilisation of the technology and know-how developed in the CSIR's laboratories|institutes and also associate the CSIR with import of know how from abroad."

1.12 In their action taken reply, the Department of Science and Technology (CSIR) have stated, *inter alia*, as follows:—

"The Government are cognisant of improving the linkages between the Public Sector enterprises and CSIR. Economic Ministries with industrial undertaking within their jurisdiction have been directed to set up a 'Standing Committee' to plan programmes, budget and oversee the implementation of the S&T efforts of the Ministries|Departments. These Committees would identify the research programmes to be assigned to CSIR, in-house R & D units in the Public Sector Enterprises (PSES) and Universities."

1.13 The Committee in their earlier Report had desired that Public Sector Undertakings should make maximum utilisation of the technology and know-how developed in the CSIR's laboratories/Institutes and also associate the CSIR with import of know-how from abroad. The Committee find that directions have been issued by Government to the Economic Ministries with industrial undertakings within their jurisdiction to set up a 'Standing Committee' to plan programmes, budget and oversee the implementation of the Science and Technology efforts of the Ministries/Departments and that these Committees would identify the research programme to be assigned to CSIR, in-house R&D units in the Public Sector enterprises and universities. But the Government's reply is silent on the point regarding the association of the CSIR with import of know-how from abroad. The Committee would like the Government to examine this aspect in all its aspects so as to associate the CSIR with import of know-how from abroad. The Committee would like to be apprised of the outcome in due course.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

The projects to be formulated by the CSIR laboratories/Institutes are approved by their Executive Committees which are assisted in their deliberations by Scientific Advisory Committees. The Executive Committee of each laboratory also approves the development plans allocates resources among various projects and evaluates performance of these projects. Under the bye-laws laid down by CSIR the Executive Committees are expected to meet once in a month but in any case not less than four times in a Calendar year. However, the actual number of meetings of Executive Committees and Scientific Advisory Committees of the Laboratories/Institutes has been much less, e.g., there were only 14 meetings of the Executive Committees of the Structural Engineering Research thereon, Roorkee and Madras in 7 years (January, 1974 to December, 1980). The position in respect of other laboratories/Institutes is not much better. The result has been that a very large number of projects had to be evaluated and approved at each meeting. Thus, as many as 2165 projects were reviewed at 156 meetings of the Executive Committee i.e. about 14 projects at each meeting. When as many as 14 projects are to be evaluated on a single meeting, the evaluation can only be superficial and perfunctory. Dropping of a project or ultimately a project proving itself infructuous is in the nature of things in any research organisation. This by itself cannot be interpreted as a act of omission. The Committee would not have any occasion to make any comment had the situation been in the CSIR like this. But there is no way of knowing for sure that dropping of a large number of projects in the CSIR fits in this category. On the contrary, scrutiny and sanction of as many as 14 scientific projects on an average in a single meeting do strengthen the belief that the examination of the projects were coastal and desultory. If in the end a large number of projects had to be dropped, it is difficult for the Committee to accept to argument that it is in the nature of things in such research organisation. The Committee would like to express their unhappiness at this situation. They would emphasise that the meetings of the Executive Committees

and Research Advisory Committee (which has single replaced the Scientific Advisory Committees) should be held more frequently so that the projects to be taken by CSIR laboratories/Institutes are formulated with thoroughness and the progress of ongoing projects evaluated in detail. In any case, the number of meetings should not be less than that laid down in the bye-laws of the CSIR.

[Sl. No. 1, para 14 of 171st Report (7th Lok Sabha)]

Action taken

Labs/Instts. have been directed to hold meetings of the Research Advisory Council and Executive Committee at frequencies not less than those prescribed in the bye-laws (*viz.* not less than 2 meetings for the RAC and 4 meetings for the EG in a year) *vide* circular No. 5(1)/70-Cte dated 27-3-84 Enclosure I. The frequency of such meetings in the year 1983 in respect of Labs./Instts. of Engineering Group of Sciences may be seen from the table given in Enclosure II, which shows an improved picture, and this trend will be further strengthened.

ENCLOSURE I

COUNCIL OF SCIENTIFIC & INDUSTRIAL RESEARCH

Rafi Marg,

New Delhi, the 27th March, 1984.

No. 5(1)/70-Cte.
From:

Joint Secretary (Administration),
Council of Scientific & Industrial Research

To

The Heads of All N1. Labs./Instts.

SUBJECT:—*Meetings of the Research Advisory Council and Executive Committee.*

Sir,

I am directed to invite your kind attention to DGSIR's D.O. letter No. 5(1)/70-Cte., dated 13-1-1984 in which you were requested to intimate the circumstances due to which the requisite number of meetings of the Research Advisory Council and Executive Committee as required under Rule 39 of the Rules, Regulations and Bye-laws of the CSIR could not be held during the year 1983.

The matter has been reviewed by the DGSIR and he has emphasised that unless & until the provision of Bye-law 39 is amended, four

meetings of the Executive Committee and two meetings of Research Advisory Council have to be held in a calendar year.

Yours faithfully,
O. P. SEXANA,
Deputy Secretary.

ENCLOSURE II

Details of the meetings of the Executive Committee and Research Advisory Council of the National Laboratories / Institutes of the Engineering Sciences Group held during 1983 (from 1-1-1983 to 31-12-1983)

S.No.	Name of the Laboratory/Institute	Number of meetings of Executive Committee and Research Advisory Committee held during 1983		
		Executive Committee	Research Council	Advisory Council
1.	CGCRI Calcutta	4		2
2.	NML Jamshedpur	2		1
3.	CMRS Dhanbad	4		2
4.	CMERI Durgapur	4		2
5.	NEERI Nagpur	3		1
6.	SERC Madras	4		1
7.	CBRI Roorkee	4		2
8.	RRL Bhubaneswar	4		2
9.	RRI Trivandrum	4		4
10.	RRI Bhopal	2		1
11.	NAL Bangalore	2		1
12.	SERC Roorkee	3		1
13.	CRRRI New Delhi	1		1

Recommendation

Although a system of project budgeting had been formally introduced in 8 laboratories in the Engineering Sciences Group of CSIR, in as many as 7 laboratories the project budget does not give any information about the progressive actuals relating to various components of each project upto the end of the year and during previous year as compared to be estimated expenditure on each component during the currency of the project, etc. Consequently, the purpose of introducing project budget with a view to relate expenditure to the needs of the individual project had been defeated. The Committee are unhappy to note that although the Public Accounts Committee had

emphasised the need for introducing a system of costing for the processes developed by the CSIR as early as 1966-67 and reiterated it in 1968, the system of costing has so far been introduced in 12 per cent of the laboratories only. The Committee cannot but express their displeasure at the lackadaisical manner in which the Council had acted in this regard. The Committee are of the firm view that in order to have an idea of the expenditure incurred on processes meant for commercial exploitation, determining the charges and royalty to be recovered in respect of the processes which are ultimately formed out to be industry and also to guard against the possibility of arbitrary transfer of funds from one project to another by the authorities of a laboratory, it is absolutely necessary to introduce a system of project budgeting and costing in all the laboratories at the earliest. The Committee desire that a time-bound programme should be formulated in this regard without any further loss of time. The Committee would like to be apprised of the progress made in this regard.

[Sl. No. 2, para 22 of 171st Report (7th Lok Sabha)]

Action taken

Operational guidelines for project budgeting and costing have been issued to all the Labs./Instt. of the CSIR, [vide DO No. 2(9)/84-Fin. dated 5-5-84]. A copy is enclosed. (Not printed). A workshop for Engineering Sciences Group of Laboratories was organised in the National Aeronautical Laboratory, Bangalore in August, 1983 to expose the personnel of Project Monitoring and Evaluation (PME) Cell and finance to the techniques of project costing. Another workshop was held recently in Lucknow wherein all the laboratories in the Biological Group participated. Further similar workshops are also envisaged to be held to cover the remaining Laboratories. The progress will be watched and periodically reviewed by CSIR Hqrs. and its results will be intimated to PAC in due course.

(Approved by the Financial Adviser, C.S.I.R.)

Recommendation

A Study Group appointed by the CSIR had in 1976 emphasised the need for establishment of a project planning, monitoring and evaluation cell in each Laboratory/Institute under the CSIR for the purpose of monitoring and evaluation of projects taken up for research concurrently as well as for planning future work. The Committee are dismayed that such cells have so far been set up in four laboratories only, and even in these laboratories the cells have not been equipped with the minimum number of experts required for the purpose and these cells have been performing only clerical functions. Since continuous monitoring, evaluation and future planning are essential for

the efficient functioning of any Research programme, the Committee desire that early steps should be taken for setting up project planning, monitoring and evaluation cell in such laboratories/Institutes under the CSIR where these have not been set up so far, and it should also be ensured that these cells are equipped with requisite number of experts. The Committee are of the view that budgetary Constraint should not be allowed to stand in the way of setting up of such cells and equipping them properly as these are necessary to ensure that moneys spent on all research projects are justified and well spent.

[Sl. No. 3, para 26 of 171st Report (7th Lok Sabha)]

Action taken

Laboratories/Institutes in CSIR DO Circular No. 2(19)/84 Fin. dated 5-5-84 (copy enclosed) have been requested to strengthen the PME Cell (Project Monitoring and Evaluation Cell) with the appropriate personnel according to the size of the Laboratories/Institutes.

APPROVED BY THE FINANCIAL ADVISER, C.S.I.R.

D.O. No. 2(19)/84-Finance

COUNCIL OF SCIENTIFIC & INDUSTRIAL RESEARCH

Rafi Marg, New Delhi-110001

5th May, 1984

DR. G. S. SIDHU

Director-General, CSIR & Secretary to the Govt. of India

Dear,

As you are aware, as a first step towards Project Budgeting and Project Costing, CSIR had introduced a system of Project budgeting a few years back. To a limited extent, this has served useful purpose in understanding the nature of various R&D programmes being undertaken in the Laboratory/Institute and allocation of funds by the Headquarters for such programmes. But this exercise has not yet resulted in using Project Accounting as a management tool for R&D programmes.

2. The Public Accounts Committee in its 75th Report (4th Lok Sabha) had also impressed upon CSIR to introduce cost analysis of the process meant for commercial exploitation in all Labs./Instts. in order to have an idea of expenditure incurred in development of such processes.

3. Recently, the Public Accounts Committee in their report on the review of Engineering Group of Laboratories had been very critical of our inability to introduce Project Cost Accounting in our

system. There have been a series of constraints to adopt the project accounting system and these were duly explained to the Public Accounts Committee. But notwithstanding these constraints, we are committed to introduce project budgeting and project accounting in the CSIR system immediately.

4. I had appointed a Committee to draft guidelines to introduce Project Budgeting and Project Accounting in CSIR Laboratories/Institutes. Based on the recommendations of the said Committee, CSIR Headquarter have drawn up operational guidelines for implementation of the scheme in CSIR Labs./Instts. I now enclose a copy for your reference and necessary action.

5. To start with, it has been decided to introduce this system during the current financial year for a few major Projects in each laboratory to get used to the newer system. This should roughly cover 30 per cent. of the R&D expenditure in the laboratory. Identification of projects for the purpose of costing during 1984-85 should be done in such a way that it covers all the major projects in the thrust area in the major disciplines in the laboratory and the total number of such projects is kept within 10. However, where the number of such projects in a Laboratory exceed 10, this number should be brought down to 10 by making relative ranking on the basis of importance of the project and the financial inputs. From 1985-86 and onwards, it is intended to cover all the projects in the laboratory for costing as provided in the guidelines.

6. While framing new projects, concept of zero based budgeting must be followed. The Director should take stock of the total situation of the projects at the beginning of the year and frame the R&D programme accordingly.

7. While framing project cost estimates, no distinction should be drawn between plan budget and non-plan budget grants.

8. The demand for additional staff for projects should be put forward only after exhausting the full re-deployment potential.

9. In the proposed system, the major responsibility of implementation of project budgeting and accounting system has been placed on a P.M.E. Cell. Taking into account the volume of work and the functions to be performed by this group, it would be desirable to strengthen this group suitably. This should be done by suitable re-deployment of the R&D staff within the laboratory. Creation of posts with Qualifications/Experience in Cost Accountancy can be considered. A model of constitution of PME Cell has been indicated in Para 2.1.2 of the guidelines.

10. I am aware that there would be some difficulties in implementing this system initially.

11. To overcome these difficulties, I have requested Centre for Management Development (NISTADS) to organise courses for the different groups of Laboratories in the months of July and August 1984 so as to expose them to the clear methodology of the system and to clarify all doubts/problems in this regard. One such course had already been organised by the CMD for Engineering Group of Laboratories at NAL, Bangalore in August, 1983.

12. To monitor the progress of implementation of this system at the Headquarter and to issue clarification to the points of doubts or problems faced by the Laboratories, I have nominated Financial Adviser, CSIR to act as a nodal point.

13. While I support the use of mini computer for processing the requisite data, but a beginning could be made by manual operation and later on we can switch over to the computerised system. Requests from the Laboratory for purchase of mini computer (if they are not already having the computers but are having the necessary expertise/facilities for its operation) will be favourably considered by the Hqrs.

14. I am told that NAL has already initiated action to develop software for this purpose. The expertise of NAL could be made use of by other Laboratories wherever possible. Since the programme developed by NAL may be suitable for large computers, action will be taken to develop software suitable for mini computers.

I shall be grateful for your whole hearted co-operation for making this exercise of success.

with kind regards,

Yours sincerely,
(G. S. SIDHU)

Recommendation

The Committee note that out of 141 abandoned projects test checked in audit, as many as 16 were in operation for over 5 years, 26 from 3 to 5 years, 76 from 1 to 3 years and the remaining 23 projects were abandoned within one year. While the Committee grant that abandonment of some projects in the field of research may be unavoidable, it is surprising that some of the unproductive or unfeasible projects were allowed to continue for as long as 5 years or even more before a decision was taken to abandon the projects. Some of the reasons given for abandonment of projects like lack or non-availability of machinery, equipment and other facilities

or similar works being in progress elsewhere clearly shows that these projects were undertaken without adequate survey and planning and after undertaking these projects adequate monitoring and review was not done to see whether the projects should be allowed to continue. In his evidence before the Committee, the Director General, CSIR stated that a good research management consists in taking a decision in this regard within the first year. He also stated that in many industrial undertakings, projects were not sanctioned for more than one year. The Committee, recommend that research projects in the laboratories|institutes under the CSIR should be undertaken after adequate survey and careful examination taking into consideration all relevant factors like economic viability, availability of machinery and equipment, etc. so that the need to abandon the project subsequently may be reduced to the minimum, and after a project has been undertaken its progress should be continuously watched and a decision to drop a project should be taken in the initial stages itself so that infructuous expenditure on abandoned projects is the barest minimum.

[Sl. No. 4, para 34 of 171st Report (7th Lok Sabha)]

Action taken

The Directors of Laboratories|Instts. have been apprised of the views of the Public Accounts Committee *vide* No. 2(3'83-Report dated 30-11-83 (copy enclosed). This aspect was discussed in the Directors' Conference held in June' 83 and it was agreed that the Laboratories will take appropriate action in this regard and its results will be intimated to the PAC in due course.

The mechanism for selection of research projects and their subsequent review has been further refined. The research projects are initiated after careful scrutiny and approval of the Research Advisory Council and Executive Committee of the Labs. Instts.

These bodies review the ongoing projects.

APPROVED BY THE FINANCIAL ADVISER, C.S.I.R.

D.O. No. 2(3)/83-Reports

Phone:

Gram: 'CONSEARCH'

New Delhi

Telex: 31 2522 CSIR IN

COUNCIL OF SCIENTIFIC & INDUSTRIAL RESEARCH

NEW DELHI-110001 30th Nov., 1983.

INTERNAL FINANCIAL ADVISER

Dear Director,

I am enclosing for your information a copy of 171st Report of

PAC relating to CSIR—Engineering Science Group which was presented to Lok Sabha on 22nd Nov., 1983.

Kindly acknowledge receipt.

With kind regards,

Yours Sincerely,
(M. V. RAMAKRISHNAN)

Recommendation

The Committee are surprised to note that in the Central Mining Research Station, Dhanbad, no records of the research and development projects approved during 1974-75 to 1978-79 were maintained. In respect of as many as 49 projects, requisite information including the expenditure incurred on the projects was not available. The reply furnished by the CSIR that no records were maintained because these projects were of a routine nature is unconvincing. The Committee have already recommended the imperative need for project budgeting and costing in all the laboratories/Institutes under the CSIR. The Committee desire that full records of all the projects undertaken by the laboratories/Institutes under the CSIR, should be maintained so as to give an idea about the cost benefit ratio of the projects.

(Sl. No. 5, para 35 of 171st Report (7th Lok Sabha))

Action taken

Laboratories/Institutes have been advised to maintain proper project records vide circular No. 2(3)/83-Reports dated 22-6-1984 (copy enclosed).

Maintenance of relevant records is being ensured in CMRS and all other laboratories.

Approved by the Financial Adviser, CSIR

COUNCIL OF SCIENTIFIC & INDUSTRIAL RESEARCH
Rafi Marg,

No. 2(3)/83-Reports

New Delhi-1 dated the 22nd June, 1984

From

Financial Adviser,

Council of Scientific & Industrial Research

To

Heads of all National Laboratories/Institutes

Sub:—Maintenance of Project Records

Sir,

A copy of 171st Report of the Public Accounts Committee relating to the CSIR—Engineering Science Group which was presented to the Lok Sabha on 22-11-1983 was forwarded to you vide D.O. of even number dated 30th November, 1983. At para 35 of the Report the P.A.C. has pointed out that the basic records of the research projects were not being maintained by certain Labs/Instts. It is needless to emphasise that no project can be undertaken or continued without proper records being maintained. Recently the guidelines regarding introduction of project budgeting and project accounting have also been issued. In the absence of full records of the projects the tasks envisaged in the guidelines cannot be achieved. It is of vital importance that all records relating to the projects are maintained by the Labs/Instts. without exception. I shall request that you may kindly issue necessary instructions to the Project Leadsre, PME Cell and other Sections of your Lab/Instt. to ensure that all records of the projects are maintained properly.

Yours Faithfully,

Sd|—
(M. V. RAMAKRISHNAN)

Financial Adviser.

Copy to:—1. Joint Adviser (Plg. & Coordination) CSIR, New Delhi

2. Deputy Secretary (Committee)

Sd|—
Financial Adviser

Recommendation

The Committee find that the project 'household pump' was taken up by Central Mechanical Engineering Research Institute, Durgapur in August 1974 and completed in June 1975. Another project on 'household pump' was taken up in August 1976 in another laboratory under the CSIR and was abandoned in April 1978 only when it came to notice that the projection 'household pump' was already in existence since 1974. This clearly indicates absence of proper co-ordination in research efforts in various laboratories/Institutes

under the CSIR leading to duplication of efforts and infructuous expenditure. The CSIR has tried to explain this lapse stating that this was a minor project involving an expenditure of less than Rs. 10,000. The Committee are not satisfied with this reply. It is not the outlay in financial terms which is important but the lacuna in the system which allowed this duplication to take place and the circumstances in which the duplication could not be detected for about 4 years *i.e.* 1974—78. The Committee desire that the matter may be gone into with a view to evolve a foolproof system to obviate the possibility of such duplication of efforts in future.

[Sl. No. 6, para 39 of 171st Report (7th Lok Sabha)]

Action Taken

To avoid duplication of efforts the CSIR Hqrs. analyse the programmes of all the Laboratories on area/discipline basis. In a few cases where it is desirable and feasible, the same person is nominated as Chairman of the PACs of those Laboratories/Institutes having overlapping of some R&D sectors, to obviate such possibility of duplication of research at the initial stage. The Coordinating Councils are being requested *vide* letter No. 7(2)/79-Plg. dated 4-9-84 (copy enclosed) to ensure avoiding duplication of efforts and to examine this point while discussing areas and programmes for coordinated efforts.

Approved by the Financial Adviser, C.S.I.R.

No. 7/2/79-Plg.

COUNCIL OF SCIENTIFIC & INDUSTRIAL RESEARCH
Rafi Marg, New Delhi-110001

4-9-84

Dear,

You may kindly recollect that the 171st report of the PAC (7th Lok Sabha) had opined about the duplication of projects in para 39. A copy of this report was sent to you for your kind information. However, I am enclosing a copy of this particular para for your kind perusal.

In this connection the CSIR had mentioned that the terms of reference of the Coordination Council include circulation of the R&D programmes amongst the laboratories of particular Coordination Councils so that the avoidable duplication could be taken care of and major coordinated programmes could be undertaken based on concept of complementarity.

May I request you to kindly look into this aspect and request the member laboratories to adhere to this methodology rigorously so that the organisation's commitment is honoured.

May I seek a word of acknowledgement and a line about the proposed action that is to be taken in this regard so that DGSR could be apprised.

With warm regards.

Yours sincerely,

Sd/-

(R. N. BHARGAVA)

Encl.: as above.

Recommendation

CSIR was set up as a premier organisation for applied industrial research in the country. The Committee are disappointed to note that the CSIR has failed to make any significant impact in the development of technology for use in industry. This is evident from the fact that till the end of 1979-80, 8 Laboratories/Institutes of the CSIR had referred 295 processes to the National Research Development Corporation (NRDC) for commercial exploitation. Out of these, 26 processes had been dropped or withdrawn subsequently. 13 were released free to the industries and 147 released on payment of premia and royalty. The remaining 109 processes had not been released by NRDC for commercial exploitation till June 1981. Even out of 147 processes released on payment, only 39 were utilised for production and in respect of the remaining 108 processes production had not started although the prescribed period of one year had expired. Thus less than 50 per cent of the processes developed by CSIR were actually released for commercial exploitation and production had actually started in respect of less than 15 per cent of the processes. This clearly shows that either the processes developed by CSIR were not selected properly after taking into account the requirements of the industry in the country or the CSIR has not been able to inspire the requisite confidence of users regarding the utility of its processes. The Committee feel that the existing situation is most unsatisfactory and here is a need for the CSIR to have a better rapport with the industry. The Committee urge CSIR to take necessary measures to ensure maximum utilisation of the technologies developed in its Laboratories/Institutes by reorienting its research programme to bring it in line with the country's development programme/industry's needs. One of the reasons given by the CSIR as to why a large number of processes developed by the CSIR

laboratories are not picked up by the Industry for commercial exploitation is 'dumping of imported products when the Indian entrepreneur goes into production'. Another reason given by the CSIR is unsympathetic attitude towards development and utilisation of indigenous know-how and subjecting it to unfair competition'. The Committee trust that Government will take these problems into account and find a solution thereto.

[Sl. No. 7, para 59 of 171st Report (7th Lok Sabha)]

Action Taken

1. The CSIR has been endeavouring to improve its linkages with industry by organising get-togethers with the industry. It has been decided to organise at least, two national-level get-togethers annually. In 1983, at national level, a CSIR Industry-industry get-together was held at New Delhi, and state level get-togethers were held at Bombay (in association with Bombay Chamber of Commerce and Industry) in October '83 and at Hyderabad (in association with State Industrial Development Corporation and State Financial Corporation) in November, 1983. In May, 1984 CSIR co-sponsored with Federation of Association of Small Industries of India (FASII), a Scientist Industrialists Meet at Bangalore.

2. A comprehensive Technology Policy Statement has been announced by the Government concerning the various aspects relating to the development of indigenous technology and the import of technology. A technology Policy Implementation Committee has been set up by the Government to work out the modalities and mechanism for the implementation of the Technology Policy and monitor its progress.

3. The members of the Research Advisory Councils in the Laboratories/Institutes are drawn from experts available in industry, public sector undertakings, educational institutions, State Governments etc. Three members of the RAC's are also members of the Executive Committees of the Labs.

4. Ministry of Petroleum have set up a Scientific Advisory Committee on geology and one on petroleum refining/petrochemicals. CSIR Scientists are members of these Committees, and are thus able to identify needs and research areas. Ministry of Steel have also set up a similar Advisory Committee. There is also a SAIL-CSIR Working Group, to identify problems and areas of activity and implement projects of relevance.

5. To the extent possible the Seventh Five Year Plan of CSIR is being formulated on the perceived S&T needs as brought out in

the draft Seventh Five Year Plans of the different sectors, agencies and departments.

6. With the above arrangements, it is hoped to identify clearly defined result-oriented goals and implement them effectively.

Recommendation

The Committee are surprised to note that even the public sector undertakings in the country are not fully utilising the various facilities developed in CSIR laboratories. In this connection, the Committee feel that the suggestion of the CSIR that they should be associated with purchase of know-how from abroad with a view to further development of such know-how in the country merits favourable consideration. In view of the exhortation of the D.G. CSIR that "CSIR is a good organisation. Give it work, utilise that work. You will get encouraging results, "it is desirable that public sector undertakings should make maximum utilisation of the technology and know-how developed in the CSIR's laboratories/institutes and also associate the CSIR with import of know-how from abroad.

[Sl. No. 8, para 60 of 171st Report (7th Lok Sabha)]

Action Taken

The Government are cognisant of improving the linkages between the Public Sector enterprises and CSIR. Economic Ministries with industrial undertakings within their jurisdiction have been directed *vide* letter No. 84/1/83-CA. III dated 19-4-1984 (copy enclosed) to set up a "Standing Committee" to plan programmes, budget and oversee the implementation of the S&T efforts of the Ministries/Departments. These Committees would identify the research programmes to be assigned to CSIR, in-house R&D units in the Public Sector Enterprises (PSES) and Universities.

CSIR has already built up certain linkages with Government Department/Public Sector Undertakings, some examples of which are given below:—

- | | |
|---|--|
| 1. (i) Antarctica programme | Department of Ocean Development (D. O. D.) |
| (ii) Survey of Indian Ocean for exploitation of poly metallic nodules | |
| (iii) Operation of new research vessel of DOD Sagar Kanya | |
| 2. Identification and development of emerging technologies for electronics. | Department of Electronics. |

- | | |
|---|--|
| 3. Technical inputs to Tanneries and Foot-wear Cooperation (TAFCO) | TAFCO Ministry of Industry. |
| 4. Identify and monitor the areas of collaborative R&D | Steel Authority of India Ltd. (SAIL) |
| 5. Collaboration for identifying priority areas for R&D work | Tea Board |
| 6. Catalyst development | Planning & Development India Ltd. (PDIL) |
| 7. Coal technology | Ministry of Energy Coal India Ltd. Planning Commission |
| 8. Ore beneficiation etc. | Mineral Development Board |
| 9. Support to aeronautical research development, design, test and evaluation. | Hindustan Aeronautics Ltd. |

In future, it is proposed to build up special relationships between CSIR laboratories and research and development divisions of public sector enterprises, and its results will be intimated to the PAC in due course.

D. O. No. 84/1.83-CAIII
 CABINET SECRETARY
 New Delhi
 19 April, 1984

My dear (As per list attached)

The Prime Minister has often emphasised the need to strengthen the linkages between the various scientific institutions in the country and their potential users. It had been represented in particular that Ministries and Public Sector Undertakings were not fully utilising the national facilities available in the Council of Scientific and Industrial Research (CSIR) and its laboratories. The Prime Minister had desired that this matter should be gone into and steps devised for optimum use of research facilities available in the CSIR and elsewhere by Ministries and Public Sector Undertakings.

2. Accordingly, a meeting of a Committee of Secretaries was convened in the Cabinet Secretariat in December, 1983 to go into the question. A copy of the minutes of the meeting is enclosed (Annexure I); attention is drawn in particular to para 9 of the minutes which sets out the conclusions reached. The recommendations of the Committee of Secretaries have been seen by the Prime Minister who referred to them at the annual meeting of the CSIR Society held on 18th January, 1984.

3. The manner of implementation of the recommendations has been considered in consultation with the CSIR and the following steps are suggested:—

- (i) The CSIR has over thirty laboratories covering a very wide field. Of these, certain laboratories have work areas

which have important linkages with a particular Ministry/Department and the Public Sector Enterprises under it (as indicated in Annexure II). The research effort of these institutions in the areas of commonality must be closely integrated with the research programme of the Ministry/Department through an institutional arrangement which should ensure that the Directors of the laboratories will be kept fully informed about the major areas of activities in the Ministry of interest to the laboratories and secure their involvement and participation in research associated with those activities.

- (ii) For attaining the above objective, a Standing Scientific Research Committee may be set up in each such Ministry/Department under the chairmanship of the Secretary. The Committee will have as members the Directors of the connected CSIR Laboratories and representatives, preferably of Board level, connected with research in the concerned Public Sector Enterprises and other senior scientists and technologists. The Financial Adviser of the Ministry/Department should be in the Committee. The Committee should have as its convener an officer not below the rank of Joint Secretary of the Ministry/Department. The Committee should not be too unwieldy and should have a membership preferably not exceeding twelve. If it is not considered practicable, from this point of view, to include the Directors of all the CSIR laboratories concerned, the directors of the laboratories having a major role in research connected with the Ministry may be included with the understanding that these will serve as a link with other laboratories in the CSIR system to provide the necessary expertise. The exact composition of the Committee may be decided by the Ministry after consulting the DG, CSIR and such other authorities as may be considered appropriate.
- (iii) It will be the responsibility of this Committee to plan, programme, budget and oversee the implementation of the S&T effort of the Ministry/Department. While periodically examining and reviewing the research requirements of the Ministries/Departments it should identify the research programmes to be assigned to the CSIR and its laboratories those to be assigned to in-house R&D groups in Public Sector undertakings and those to be assigned to universities etc. While assigning research programmes to various

agencies the Standing Scientific Research Committee will also take decisions wherever necessary regarding the development of prototypes and undertaking of pilot plant studies and determine the agencies for their funding, testing and evaluation. The detailed terms of reference of the Committee may be drawn up by the Ministry after consultation with the DG, CSIR and such other authorities as may be considered appropriate.

- (iv) Movement and inter-action of the research personnel between the Laboratories of CSIR and R&D units of the Public Sector will be encouraged so that a commonality of culture is developed between the Research Divisions of the Public Sector and the National Laboratories.

5, It is requested that the Department of Coal etc. may take action immediately to set up a Standing Scientific Research Committee and implement the other recommendations as suggested. A report of the action taken may be sent to the Cabinet Secretariat within a period of one month.

Yours sincerely,

(C. R. Krishnaswamy Rao Sahib)

Copy forwarded for information to:

Dr. G. S. Sidhu, Secretary, Deptt. of Science & Technology for CSIR and *ex-officio* Director General, CSIR.

Sd/-

(C. R. Krishnaswamy Rao Sahib)

List of the Ministry's Department.

1. Secretary, Deptt. of Coal.
2. Secretary, Deptt. of Petroleum.
3. Secretary, Deptt. of Agriculture & Cooperation.
4. Secretary, Deptt. of Heavy Industry
5. Secretary, Deptt. of Industrial Development.
6. Secretary, Deptt. of Steel.
7. Secretary, Deptt. of Mines
8. Secretary, Deptt. of Electronics.
9. Secretary, Deptt. of Environment.
10. Secretary, Ministry of Works and Housing.
11. Secretary, Ministry of Communications.
12. Secretary, Ministry of Shipping and Transport.
13. Secretary, Ministry of Chemicals and Fertilizers.
14. Secretary, Department of Food.

Recommendation

The extent to which the craze for foreign know-how is prevalent in the country is evident from the fact that although the CSIR had developed indigenous know-how for colour T.V. and the same was ready for commercial exploitation, the indigenous technology was not utilised and import of colour T.V. was allowed. The Committee feel that it is high time that the country were to give up the tendency to go in for imported technology when indigenous technology were available or could be easily available. The Committee feel that in view of the fact that a vast scientific and technical man-power is available in the country and the Indian Scientists and Engineers are second to none in talents and have made significant contribution in the field of scientific research and technology in foreign countries, there is no reason why with determination, significant break-through in this direction cannot be achieved.

[Sl. No. 9, Para 61 of 171st Report (7th Lok Sabha)]

Action Taken

1. The Technology Policy Statement of Government clearly states as follows:—

“Import of technology will continue to be permitted only on selective basis where need has been established: technology does not exist within the country; the time taken to generate the technology indigenously would delay the achievement of development targets”.

2. Every attempt is made to identify technologies in the future and develop them. As an example, may be cited the development of colour TV by CEERI Pilani. Based on the design developed by the Institute, the CSIR, NRDC and CEL (Central Electronics Ltd.) have set up a demonstration plant at CEL. Production technology on turn-key basis is envisaged to be offered to manufacturers in India. Production is expected to begin after trials and tests are completed.

3. CEERI has developed several micro-wave tubes. One of them (Magnetrons) is under production in CEL and is used in radar applications. Technology for 1-kw Klystrons has been given to BEL (Bharat Electronics Ltd.) in 1984. Some more tubes are being developed on the request of BEL. Travelling wave tubes have been made by CEERI and used by P & T and ISRO in the satellite earth stations. Negotiations are under way to manufacture these tubes in BEL.

Recommendation

A common point of criticism against CSIR is that the laboratories under the Council are concentrating on developing such processes which serve the elite section of society and little attention has been paid towards the development of technology to benefit people belonging to economically weaker sections of society like artisans, small and marginal farmers, etc. It was admitted by the Director General, CSIR in evidence before the Committee that the scientists engaged in developing technology for economically weaker sections of society form a very small proportion of the total number. The Committee, however, note that CSIR is now paying attention to the needs of economically weaker sections and rural areas. It has compiled a list of technologies to be developed for the economically weaker sections of society, and it will try to use them in villages. The Committee desire that CSIR should not only pay still greater attention to the development of technologies which may benefit the hitherto neglected sections of society, but also undertake a programme to popularise the same in the rural areas. The Committee desire that for carrying these technologies to the remote rural areas, cooperation of voluntary organisations engaged in the work of rural development should be taken.

[Sl. No. 10, para 62 of 171st Report (7th Lok Sabha)]

Action Taken

1. The Committee's observations are noted.
2. CSIR has brought out a publication titled "Production-oriented and employment generating technology" under the series "Technology for rural development". Another publication titled "Technologies for Human Welfare and Community Services" has been released in May, 1984.

In addition, pamphlets giving information on such technologies which can directly benefit the weaker sections of society especially in rural and backward areas, are also being printed. For the present, 25 items have been selected.

The above publications are meant for dissemination of information through the State Department of Rural Development, District Industries Centres (DIC), Voluntary Organisations, Tribal Development Board, District Rural Development Agencies (DRDA), Zila Parishads etc.

3. CSIR had organised workshops of Village Artisans and CSIR Scientists at Sewagram, Maharashtra (1973), Wardha, Maharashtra (1978) and at Bardoli, Gujarat (1979). Subsequently, an S&T Field Station under the initiative of Ministry of Industry has been established at Bankura in West Bengal. The Field Station has arranged demonstration programmes in collaboration with scientists of concerned laboratories. The Field Station has initiated the work of identification of technology development and application in four specific areas:

- (a) Hides, skins and animal by-products, and wastes-based industries.
- (b) Metal-based and engineering industries.
- (c) Ceramics and pottery industries.
- (d) Agro-and-forest resources-based industries.

4. NRDC has established Rural Technology Demonstration-cum-Training Centres (RTDT), which undertake extension of CSIR technologies and others through on-the-spot demonstration and training of people in rural areas. These Centres are equipped with units/machinery pertaining to technologies based on the resources and skills available in the area and relevant to the needs of the people. These Centres have already been established in Mitraniketan (Kerala) Kundrakudi (Tamilnadu), Hiriadka (Karnataka), Ratnagiri (Maharashtra); Attara (UP), Padrauna (UP), Hissar (Haryana), Imphal (Manipur), Narendrapur (West Bengal) and Gandhi Ashram (Nagaland). Another ten Centres are proposed during 1984-85.

Recommendation

Along with the annual statements required to be submitted by the NRDC to the CSIR, they (NRDC) were also required to send data on production and sale (process and party-wise) which NRDC did not submit. The Committee wonder how the CSIR in the absence of data on production and sale could verify the correctness of the statements and thus check whether the royalty given to them was in order.

The data should be forthcoming in future.

[Sl. No. 12, para 64 of 171st Report (7th Lok Sabha)]

Action Taken

According to the working arrangement between CSIR and NRDC the latter is required to furnish the following data annually:

- (a) Data on production & sale (process/party-wise).
- (b) Royalty due and collected in each case.

(c) Remarks regarding future potential for licencing.

(d) Processes for which licences were determined|expired during the year.

Steps are being taken to ensure timely procurement of relevant data from NRDC and its results will be intimated to the PAC in due course.

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES RECEIVED FROM GOVERNMENT

Recommendation.

The Committee note that the laboratories institutes under the CSIR have been running a number of pilot plants. As CSIR is a research organisation and it is not within its rules and regulations to run an establishment on commercial line, it is expected to hand over the plants together with the relevant technology to any competent organisation for commercial operation. The Committee are however, surprised to find that some of these pilot plants have been running for periods ranging from 8 to 20 years and these were neither handed over to any organisation nor was a decision taken to wind up these plants in case of there being no-takers for the same. The result has been that some of these plants have entailed on Government with heavy losses. For example, the optical glass pilot plant had accumulated a loss of Rs. 35.65 lakhs during the period 1970-71 to 1979-80, and the deficit in case of magnesium pilot plant amounted to Rs. 163.81 lakhs during the period 1972-73 to 1979-80. The Committee have been informed that these plants were offered to establishments including public sector undertakings but none agreed to take over these plants and hence it has since been decided to wind up the same. It is disappointing that CSIR has taken such a long time to take this decision. The Committee recommend that CSIR should periodically review the working of the pilot plants and in case it is found that these plants have out-lived their utility purpose and there are no buyers for the same, a decision to wind up these plants be taken without loss of time so as to avoid unnecessary losses.

[Sl. No. 13, para 70 of 171st Report (7th Lok Sabha)]

Action Taken

Research and Development projects in CSIR Laboratories including pilot plant projects are subjected to periodic appraisal by Research Advisory Councils and Executive Committees of the Laboratories.

The two pilot plants, viz. Magnesium Metal (NML) and Optical Glass (CGCRI) were continued under special circumstances. These

are essential materials and there has been no other indigenous source of supply of these materials except CSIR Labs. These are operated as national facilities until the production can be started by industry.

The know-how on "Optical Glass" is being released to industry. The recommendations of the Public Accounts Committee have been noted, and an inbuilt mechanism for periodic review will be incorporated while considering establishment of any new pilot plants by CSIR Labs, and its results will be intimated to the PAC in due course.

Recommendation

CSIR is a research organisation and it is essential that in such a research organisation having a nation-wide net work, young and bright scientists are given all encouragement so as to contribute their best to the scientific research and advancement in the country. There are wide-spread complaints that young scientists are being ignored in the research work in the Laboratories Institutes under the CSIR, that the projects allotted to the younger scientists are being starved of funds and the funds allocated to the projects under these scientists are being arbitrarily transferred to other projects which are being sponsored by senior scientists. It has also been alleged that younger scientists are not being included in the executive committees of different Laboratories and this has contributed to the frustration among them causing often their exit from these laboratories in large numbers. Although the Director General of the CSIR has denied these allegations in his evidence before the Committee, the Committee feel that these are not wholly without substance. From the list of members of executive committees of different laboratories furnished to the Committee, the Committee find that there are a number of laboratories like the Central Drug Research Institute, Lucknow, Central Food Technological Research Institute, Mysore, Central Leather Research Institute, Madras, Central Electro Chemical Research Institute, Kalaikudi, etc., where not a single scientist below the age of 40 years has been nominated to the executive committee during the period 1-4-1976 to 31-12-82. The Committee need hardly emphasise the imperative need for CSIR to ensure that the scientists particularly younger ones are given every possible encouragement and facility so as to enable them to complete their research work and there should be no room for any feeling of frustration among them. The Committee would like the CSIR to ensure proper representation to the younger scientists in the executive committees of the Laboratories Institutes under it so as to inculcate a feeling of participation among these scientists. The deliberations of the Execu-

tive Committee should also be conducted in such a manner as to infuse a feeling of participation among the scientists. The Committee also desire that the working conditions of the scientists under the CSIR should be suitably improved and adequate avenues of promotion provided to them so as to attract the best talent in these laboratories.

[Sl. No. 14, para 76 of 171st Report (7th Lok Sabha)]

Action taken

(1) Regarding allocation of funds to younger scientists, it may be stated that generally there is no system in CSIR to allot funds to scientists by name or in order of seniority, and there is no bias against younger scientists, Research Programmes are discussed in Research Advisory Council/Executive Committee (RAC/EC) meetings and are approved for implementation based on scientific/technical relevance etc. Priorities are also sometimes allocated by RAC/EC depending upon the importance of the programmes. Any change in emphasis/priority is effected after discussion in RAC/EC.

(2) Regarding participation of younger scientists in the Executive Committees, it may be stated that CSIR is making efforts to induct younger scientists in the Executive Committees of the Laboratories. The Executive Committees of the National Laboratories/Institutes are constituted under rule 72 of the Rules and Regulations of the CSIR. Besides other members, three project coordinators are included in the Executive Committee by rotation. Each member of the Executive Committee has one vote and all matters at the Executive Committee are decided by majority view.

Where Executive Committees are reconstituted, the recommendations of the Public Accounts Committee will be kept in view.

In the 33rd Directors' Conference held on 28-6-83 (copy enclosed) attention was focussed on the importance of involving younger scientists in the decision-making process of the laboratories.

(3) Fresh Scientific talent is inducted through the direct recruitment of young scientists at the level of Scientist B (Rs. 700—1300).

(4) As regards working conditions of the scientists under CSIR it may be stated that—

(a) CSIR has a periodical assessment system for promotion of scientists. After a specific period of five or six years or more as the case may be, each scientist is assessed for

promotion to the next higher grade on the basis of his work and performance. If the scientist is found fit for promotion, the lower post is upgraded and the scientist promoted against it.

In addition, for lateral entry, all departmental candidates are allowed to compete for various posts advertised on all-India basis, with open market candidates. In such contexts, they are also entitled to advance increments in the same manner as outside candidates.

- (b) There is also a scheme for grant of merit promotion/advance increments to outstanding scientists.
- (c) Scientists who have done outstanding work are considered for S. S. Bhatnagar Memorial Award in certain branches of Science, each carrying a cash amount of Rs. 20,000.
- (d) Housing facilities are being augmented in all the Laboratories. To promote sports and cultural activities, a Sports Promotion Board was constituted in 1981. All possible efforts are being made to augment these facilities for the welfare of the staff and their family members.

The above measures provide opportunities for growth, development and advancement of scientists of the CSIR and its National Laboratories.

EXTRACTS FROM 33RD DIRECTORS' CONFERENCE OF CSIR HELD ON 27-28 JUNE, 1983 AT NEW DELHI

* * * * *

Agenda Item No. 6

INDUCTION OF FRESH TALENT IN CSIR SYSTEM

It is necessary to examine whether CSIR personnel policies are conducive to attract fresh talent from outside agencies such as Universities and other Scientific & Technological Institutions both in India and abroad. Apart from opportunities for training in India and abroad and other fringe benefits provided by the CSIR, some of the broad personnel policies followed by the CSIR are indicated below in brief.

2. CSIR has been considering various ways and means of attracting talent and for improving the prospects of scientists who join the national laboratories. In the last few years several schemes for im-

provement of pay scales, promotional opportunities, recruitment of scientists returning from abroad, ad hoc appointments of well qualified scientists, appointment of research associates, support to visits abroad to attend international conferences etc. have been formulated. Lateral entry at all levels can be made with the approval of the prescribed authority so that available talent at whatever level can be inducted. The provisions of present systems are indicated below in brief:

- 2.1 The existing Rules provide for open advertisement of all scientific and technical posts on all India basis. For appointments to senior posts like those of Scientists 'F' and Directors, the vacancies are notified to various Universities, Scientific and Technical Institutions all over the country as well as in some similar Institutions in some of the Western countries through our Embassies.
- 2.2 A scheme of merit assessment promotion has been devised under which the merit of a scientist is assessed after every five years (with the exception of Scientist 'C' where the assessment is made after 6 years) for promotion to the higher grade. This scheme is applicable to all four groups of scientific and technical personnel within their respective groups. In order to provide incentives for younger scientists of proven talent, a scheme of Faster Track Promotion has been devised whereby scientific/technical personnel may move from a lower group to a higher group if they possess the entry level qualifications for the higher group and are found suitable.
- 2.3 A scheme for creation of supernumerary posts for period of 2 years each has been in vogue to accommodate suitable scientists of Indian origin returning from abroad. On several occasions, DG and other senior Directors have interviewed bright scientists of relatively younger age group and recommended them for supernumerary appointments within the CSIR. This scheme is in addition to the Scientists' Pool Scheme which has been in operation for more than two decades.
- 2.4 Directors of national laboratories have been authorised under the bye-laws to make ad hoc appointments of well-qualified scientists for a period of six months subject to regularisation later in accordance with the prescribed procedure up to the level of Scientist E-II (Rs. 1800-2250)

- 2.5 The Governing Body of the CSIR has recently approved of a scheme known as 'campus recruitment' with a view to inducting young scientists and engineers from IITs and Universities as soon as they complete their studies.
- 2.6 Suitable scientists with doctoral qualifications may be attached to CSIR for taking up research work. If a post is not available, a Director may offer research associateship to such a scientist.
- 2.7 Visiting scientists/technologists are appointed by DG on the recommendations of the Directors of the national laboratories for a period of one year at a time.
- 2.8 In certain cases, in addition to the above incentives, pensionary benefits are granted to scientific and technical personnel coming from various governmental institutions, universities and IITs etc. to the service of the CSIR. This also helps mobility of scientific personnel from these institutions to the various national laboratories/institutes of the CSIR. The rules of study leave have been made more liberal than the Govt. of India rules with a view to helping scientists and technologists to upgrade their qualifications both in India and abroad.
- 2.9 There are schemes of financial assistance for research projects to be undertaken at various Universities and other Institutions as well as appointment of Junior, Senior and Post Doctoral Research Fellows. These schemes help the younger scientists continue their scientific pursuits in their own academic environs. This scheme has helped the CSIR to maintain a reservoir of fresh talent from which CSIR can draw periodically.

3. Compared with personnel policies adopted by other Government Departments and Scientific Institutions in the country, the personnel policies of the CSIR are quite progressive and are able to attract highly skilled, trained and experienced scientists and are thus conducive to bringing in new ideas and knowledge.

4. Under the present recruitment procedure it usually takes about six months before a selected candidate is in position. While this would be comparable to the time taken on recruitment in most organisations, it needs to be cut down by simplification of procedures so that the priorities of R & D projects can be honoured. Some of the Public

Sector Undertakings are going straight to IITs/Universities for attracting fresh talent at the earliest opportunity. A scheme of campus recruitment has been approved by the Governing Body for which guidelines are being prepared and will be circulated shortly.

5. During the last three years, CSIR and its National Laboratories|Institutes have been able to acquire the services of 505 scientists and technologists at the level of Scientists 'B'/'BI' and above and another 804 scientific and technical personnel in the lower grades. This information pertains to 34 Laboratories|Institutes.

6. CSIR has also been considering ways and means of providing better amenities to Scientists, including housing, with this end in view. While CSIR has been able to encourage induction of fresh talent in its services, the problem of inadequate housing has been a continuing one despite the efforts of CSIR to construct additional accommodation, During the last three years, CSIR has constructed 726 houses out of which more than 10 per cent might have been occupied by non-technical personnel. It appears that overall housing satisfaction for scientists needs to be improved further for which all out efforts are being made.

7. The major difficulty in the implementation of housing programmes was the inadequacy of funds. Recently, however, CSIR has been making special efforts to acquire funds from HUDCO to augment its resources for this purpose, apart from efforts being made to obtain higher allocation from Government. It is hoped that the situation in the next 2 to 3 years in the matter of housing will improve further.

8 While CSIR is making efforts to improve amenities to scientists, the induction of fresh talent into the CSIR system also needs to be stepped up. Suggestions are invited in this regard so that appropriate policies could be formulated.

CHAPTER IV

**RECOMMENDATION/OBSERVATION REPLY TO WHICH
HAS NOT BEEN ACCEPTED BY THE COMMITTEE AND
WHICH REQUIRE REITERATION**

—NIL—

CHAPTER V

RECOMMENDATION/OBSERVATION IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLY

Recommendations

The Committee are concerned at the lack of coordination between the CSIR and NRDC. According to the CSIR-NRDC agreement, it was expected that the CSIR would liaise with NRDC for the purpose of knowing whether and the extent to which the results of research passed on the NRDC were being utilised. But it is surprising that neither did the NRDC submit nor did the CSIR ask the NRDC to submit the returns required under the agreement. The Committee would like to be apprised of the reasons for this lapse. The Committee desire that immediate steps should be taken by Government in order to ensure better coordination between the CSIR and NRDC, so that the results of research of CSIR are released for commercial exploitation as early as possible and CSIR kept informed of the necessary data relating to the same.

[Sl. No. 11, para 63 of 171st Report (7th Lok Sabha)]

Action Taken

NRDC of India is furnishing from May, 1964 monthly reports containing information regarding (a) processes referred during the month, (b) processes licensed during the month, giving names of licensee and the terms, (c) processes under negotiations. Consolidated Status Reports are awaited from NRDC and its contents will be brought to the notice of the PAC in due course.

NEW DELHI;
August 12, 1985
Sravana 21, 1907 (S)

E. AYYAPU REDDY
Chairman,
Public Accounts Committee.

PART II

MINUTES OF THE 7TH SITTING OF THE PUBLIC ACCOUNTS
COMMITTEE HELD ON 8 AUGUST, 1985 (AN)

The Committee sat from 15.30 to 17.00 hrs.

PRESENT

Shri E. Ayyapu Reddy—*Chairman*

MEMBERS

Lok Sabha

2. Shri J. Chokka Rao
3. Shri Amal Datta
4. Shri Ranjit Singh Gaekwad
5. Shrimati Prabhawati Gupta
6. Shri G. Devaraya Naik
7. Shri Rajmangal Pande
8. Shri S. Singaravadivel
9. Shri Simon Tigga
10. Shri Girdhari Lal Vyas

Rajya Sabha

11. Shrimati Amarjit Kaur
12. Shri Nirmal Chatterjee
13. Shri Chaturanan Mishra
14. Shri K. L. N. Prasad
15. Shri Ramanand Yadav

SECRETARIAT

1. Shri K. H. Chhaya—*Chief Financial Committee Officer.*
2. Shri R. C. Anand—*Senior Financial Committee Officer.*
3. Shri Krishnapal Singh—*Senior Financial Committee Officer.*
4. Shri Brahmanand—*Senior Financial Committee Officer.*

REPRESENTATIVES OF THE OFFICE OF C&AG

1. Shri T. M. George—*Additional Deputy Comptroller and Auditor General of India (Railways).*
2. Shri P. C. Asthana—*Additional Deputy Comptroller and Auditor General of India (Railways).*
3. Shri A. K. Jain—*Director of Audit—II (CR)*
4. Shri P. N. Mishra—*Jt. Director (Railways)*

** ** **
** ** **

II. Consideration and adoption of Action Taken Reports.

The Committee then considered the following **Draft Reports and adopted the same with certain modifications/amendments as shown in Annexures...** and II:—

** ** **

- (ii) Draft Report on action taken on 171st Report (7th Lok Sabha) of Public Accounts Committee relating to Council of Scientific and Industrial Research—Engineering Science Group.

The Committee also authorised the Chairman to make verbal and consequential changes in the Reports and present them to the House.

** ** **

The Committee then adjourned.

ANNEXURE II

Amendments/Modifications made by Public Accounts Committee at their sitting held on 8 August, 1985 (AN) in Draft Report on Action taken on 171st Report (Seventh Lok Sabha) on Council of Scientific and Industrial Research — Engineering Science Group

Page	Para	Line	Modifications/Amendments
3	1.7		<i>Add at the end—</i>
			“The Committee should also be apprised of the meeting of Research Advisory Councils and Executive Committees of the Laboratories/Institutes of Council of Scientific and Industrial Research held during 1984
7	1.10	Last line	<i>Add at the end—</i> within a period of six months
8-10	1.11 to 1.13	Omit	
13-14	1.17 to 1.20	Omit	

APPENDIX

Statement of Conclusions and Recommendations

S. No.	Para No.	Ministry/Department concerned	Observation/Recommendation
1	2	3	4
1.	1.3	Department of Science and Technology (CSIR)	The Committee expect that final reply to the recommendation in respect of which only interim reply has so far been furnished, will be submitted soon after getting it vetted by Audit.
2.	1.7	-do-	<p>The Committee in their earlier Report had emphasised that the meeting of the Research Advisory Councils and Executive Committees of the Laboratories/Institutes of the Council of Scientific and Industrial Research (CSIR) should be held more frequently but in any case not less than that laid down in the bye-laws of CSIR so that the projects to be taken by CSIR Laboratories/Institutes were formulated with thoroughness and the progress of on-going projects evaluated in details. The Committee note that instructions have now been issued by the Department of Science and Technology (CSR) to hold meetings of the Research Advisory Councils (RAC) and Executive Committees (EC) at frequencies not less than those prescribed in the bye-laws <i>viz.</i> not less than two meetings of the RAC and four for the EC in a year.</p> <p>The Committee are also informed by CSIR that the frequency of such sittings held in the year 1983 in respect of Laboratories/</p>

Institutes of Engineering Group of Sciences has shown an improved picture. From the data furnished, the Committee find that the position is not much encouraging as six out of thirteen Laboratories/Institutes of the above group have held meetings of the Executive Committees less than four times and in one case, only one such meeting was held during 1983. Similarly, the number of sittings of RAC for each of the six Laboratories/Institutes has been one only. The Committee desire that the frequency of such meetings in any case is not less than that laid down in the bye-laws of CSIR. The Committee should also be apprised of the meetings of Research Advisory Councils and Executive Committees of Laboratories/Institutes of Council of Scientific and Industrial Research held during 1984.

Emphasising the need for setting up of Project Planning, Monitoring and Evaluation cell in each Laboratory/Institute under CSIR, the Committee had recommended in their earlier Report that early steps should be taken for setting up of such cells in each laboratory/institute. By way of action taken, the Committee are now informed that Laboratories/Institutes in CSIR have been requested to strengthen Project Monitoring and Evaluation cell with appropriate personnel according to the size of the Laboratories/Institutes.

The Committee emphasise the need for establishment of Project Monitoring and Evaluation Cell with appropriate personnel in each and every Laboratory/Institute under CSIR, to ensure that the funds provided on all research projects are justified and well spent. The Committee would like to be apprised of the progress made in this regard within a period of six months.

4 1.13

—do—

The Committee in their earlier Report had desired that Public Sector Undertakings should make maximum utilisation of the technology and of know-how developed in the CSIR's Laboratories/Institutes and also associate the CSIR with import of know-how from abroad. The Committee find that directions have been issued by Government to the Economic Ministries with industrial undertakings within their jurisdiction to set up a 'Standing Committee' to plan programmes, budget and oversee the implementation of the Science and Technology efforts of the Ministries/Departments and that these Committees would identify the research programme to be assigned to CSIR in-house R&D units in the Public Sector enterprises and universities. But the Government's reply is silent on the point regarding the point association of the CSIR with import of know-how from abroad. The Committee would like the Government to examine this aspect in all its aspects so as to associate the CSIR with import of know-how from abroad. The Committee would like to be apprised of the outcome in due course.

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Action taken

This question has been considered by the Government and it is felt that since rates of CCS are determined on the basis of approved criteria, cost study may not be treated as a pre-requisite for fixation of rates of CCS in every case.

This has the approval of Commerce Minister.

Audit Observation

Though a cost study may not be deemed to be pre-requisite in every case by the Ministry, it is considered that it should be one of the deciding factors for establishing needs for grant of cash assistance.

Ministry's Remarks

The proforma prescribed for submission of data for determination of rates of CCS includes information relating to FOB cost and FOB realisation. Though a cost study is not a pre-requisite in every case, the shortfall in FOB realisation is taken into account at the time of deciding the rate of CCS.

[The Ministry of Commerce O.M. No. 10(1)/83-EP(CAP)
dated: 16th Feb. '84]

Recommendation

After the contract was signed in October 1970 regular meetings are stated to have been held in February-March, 1971 with Iron & Steel Controller where representatives of Steel plants and Engineering Export Promotion Council were also present. As a result of these discussions, the steel plants indicated total quantity of steel which could be possibly made available indigenously. On the basis of this information STC estimated that only about 9,000 tonnes of indigenous steel would be available. Again in a meeting of Contract Implementation Committee held on 8th July, 1971, it was advised that due to non-availability of weldable quality of steel and steel with copper content for the next two years, greater quantity of imports will have to be resorted to. The anticipated availability of indigenous steel was later on reduced to 2,000 to 3,000 tonnes and eventually, however, almost the entire quantity of steel had to be imported. The reply of the Ministry of Commerce that prior to actual signing of

1957 LS—4.

the contract formal procurement action was not practicable evades the issue. The question that needs a satisfactory reply is how the estimates of indigenous availability of steel were initially assessed, how these got reduced so drastically and how these finally turned out to be nil. The Committee consider that the STC clearly failed in projecting a clear picture to Government and must be held accountable for this lapse. This resulted in the entire steel having to be imported at a high price for supply to wagon builders involving heavy payment of countervailing duty. Consequently, the raison detre of the contract itself was lost. The Committee desire that the responsibility for this lapse must be fixed.

[S. No. 17 of Appendix-II Para 2.50 of 152nd Report of PAC
(Seventh Lok Sabha)]

Action taken

The contract was based on steel to Indian specifications. The intention was that the bulk of steel to be used would come from Indian steel plants. STC/PEC then made efforts to seek confirmation from the Ministry of Steel regarding the availability of steel prior to signing the contract. After signing of the contract, the requirements of steel for executing the contract were sent to the Iron & Steel Controller through the E.E.P.C. Subsequently, a series of meetings were held with the Iron and Steel Controller, Calcutta, where representatives of steel plants and E.E. P.C. were also present. The Iron & Steel Controller was of the view that the steel requirement for this contract was within the normal manufacturing range of steel plants but steel requirement could not be supplied on account of general shortage. As a result of the discussions the steel plants indicated the total quantity of steel which would be indigenously available. As total quantity indicated by the plants could not be allocated for this contract, because there were other competing demands, it was assumed by STC/PEC that 1/5th of this capacity may be available for the Yugoslav wagons contract and the remaining steel roughly 46,000 tonnes would have to be imported. In the event of lesser quantities of steel being made available, it was stated that imports would have to be increased proportionately. In a meeting taken by the then Secretary, Foreign Trade on 8th July, 1971 where representatives of Department of Steel were also present, the position with regard to requirement of steel for the contract was reviewed. In this meeting STC's earlier assumption that about 9,000 tonnes of

steel being available from indigenous sources was discussed. It was noted that since STC had made this assumption, Steel Ministry had clarified that steel of welding quality and with copper content is not likely to become available for the next two years. Due to reduction in the anticipated availability of steel the necessity for importing the entire quantity of steel was recognised.

[The Ministry of Commerce, O.M. No. 11|2|83-EP(OP)
dated the 2nd July, 1985]

Recommendation

The Audit para points out that the Projects & Equipment Corporation actually imported 11,000 tonnes of steel in 1971-72 and 46,691.710 tonnes in 1972-73 including 622.372 tonnes of steel short-landed against the original estimate of 46,000 tonnes allowed by the Main committee of the Marketing Development Fund. It is surprising that orders for importing second consignment of 46,691.710 tonnes of steel was placed without verifying whether the previous stock of 11,000 tonnes of steel of first consignment had been fully utilised. Had the Project and Equipment Corporation shown prudence expected of it and ensured the utilisation of the first lot of steel before importing the second lot, much of the expenditure of Rs. 4.33 crores in foreign exchange on import of steel which remained surplus could have been avoided. The Committee would like this question to be examined and suitable steps taken to guard against such lapses in future.

[S. No. 18 of Appendix-II Para 2.51 of 152nd Report of PAC
(Seventh Lok Sabha)]

Action taken

At the time when ordering of steel was done, the contract was for the full quantity of 3,600 wagons. It was not foreseen at that stage that the contract would require to be truncated. Therefore, any interruption in the availability of steel would have resulted in interruption of production of wagons. This in turn would have resulted in several repercussions including delayed delivery and possibly higher prices of steel. Under the circumstances, the decision to order the steel was taken in the interest of performance of contract. Moreover, steel supplies were not made in matched sets and the first lot of 11,000 tonnes would itself have not resulted in manufacture of complete

wagons. It is, therefore, not true that the second lot of steel only became surplus.

[The Ministry of Commerce, O.M. No. 11|2|83-EP(OP)
dated the 2nd July, 1985]

Recommendation

The Committee note that as many as three extensions were given by the foreign country to complete the delivery. Due to the failure of the Indian wagon builders to effect the supplies in time, the order was reduced by the importing country from 3,600 to 1,300. The contract value was correspondingly reduced from Rs. 37.45 crores to Rs. 18.39 crores. This resulted in 34,844 tonnes of imported steel supplied to the wagon builders becoming surplus. The Committee are perturbed at this failure of wagon builders to supply the wagons as per the contract particularly when they were constantly complaining of under-utilisation of their capacity and when special arrangements were made by Government to supply to them the requisite quantities of imported steel at a very high cost. As a result of this failure to adhere to the schedule of supply, the country has not only lost the expected foreign exchange earnings but the deal has adversely affected the prestige of the country and given a bad name to Indian exporters in International markets. The Committee cannot but express their deep unhappiness at this failure of Government to ensure the supply of wagons as per schedule. The Committee consider that the Government should have explored the possibility of diverting the order to other wagon manufacturers, in this situation so as to fulfil the deal. The Committee would like to know if any such efforts were made.

[S. No. 22 of Appendix-II Para 2.55 of 152nd Report of PAC
(Seventh Lok Sabha)]

Action taken

The contract was given due importance by all the concerned Ministries and all out efforts were made to fulfil the contractual obligations. Whenever problems were encountered these were brought to the notice of the buyer and extension of deliveries obtained from time to time. It was not the delayed deliveries which led to the truncation of the contract: it was basically the effect on the overall costing of the contract due to various reasons like delays in finalisation of contract details, the effect of Indo-Pak war of 1971 with its repercussion

on various spheres of the economy, severe power shortage in the country during 1972, the oil crisis of 1973 affecting the prices of practically every input etc. All these factors affected the costing of the project and necessitated renegotiation with the Yugoslavs. The complex negotiations finally led to a mutually acceptable figure of 1,300 wagons for which the contract was subsequently executed and completed.

During the period of this contract there was considerable uncertainties. These were heightened by the fact that three of wagon builders were nationalised during this period. Since the liabilities of these companies became the liabilities of the Government, due assessment had to be made of the losses which might be incurred in case the entire contract was carried out through to completion. The attempt at this stage was to minimise losses in the contract. In these circumstances the diversion of the orders to other manufacturer was not a viable solution.

The delivery of the wagons as per renegotiated contract was completed in August, 1976. Main reasons for the delay in delivery against the renegotiated contract were:

- (i) Technical difficulties by the Assembly factories in Yugoslavia.
- (ii) Unjustified stoppage of assembly in Yugoslavia on account of non-settlement of norms for additional work.
- (iii) Wrong utilisation of wheel-sets supplied by the Indian wagon builders by assembly factories of Yugoslavia against orders of third parties.
- (iv) Delay by the assemblers in Yugoslavia for movement of assemblies from Yugoslavia port.

[The Ministry of Commerce, O.M. No. 11|2|83-EP(OP)
dated the 2nd July, 1985]

Recommendation

Although Government were aware of the steel becoming surplus in May, 1974, no action was taken for its alternative use or disposal and it was only in April, 1975 that the PEC approached Government for disposal of 30,069 tonnes of steel valuing Rs. 4.48 crores against 34,844 tonnes of surplus steel actually available. In spite of the fact that the PEC had obtained approval of the CCI&E to dispose of the

surplus steel in July, 1976, it took another three years to take a decision for disposal of the surplus quantity of steel available with the various wagon builders. In January, 1978 the Ministry of Finance (Commerce Division) also observed that "If a decision had been taken much earlier within the present span of 3 years between January, 1975 and January, 1978 for the disposal of surplus steel, interest and storage charges worked out by the PEC (Rs. 247.87 lakhs and Rs. 62.77 lakhs) would have been much less. In fact, had a decision in this regard been taken in January, 1975 itself, the wagon builders could not have taken the plea of having incurred the interest (Rs. 247.87 lakhs) and storage charges (Rs. 62.77 lakhs) as till then, they were liable to bear these charges for fulfilment of the original contract. Delay in decision resulted in non-recovery of Rs. 155.75 lakhs of over-paid subsidy on 34,844 tonnes of imported steel. The Committee recommend that the reasons for delay in taking a decision be gone into in depth and responsibility for such costly lapse be fixed.

[S. No. 23 of Appedix-II Para 2.56 of 152nd Report of PAC
(Seventh Lok Sabha)]

Action taken

The fact that the steel would become surplus was known only after the contract was truncated in January, 1975. The decision to allow wagon builders to use surplus steel for any export or domestic order or to sell it to 'actual users' was taken in August, 1975 in a meeting held in the Ministry of Commerce. In this meeting it was also noted that PEC had in the meanwhile made efforts to find customers for the surplus steel amongst Government Departments or Zonal railways.

Moreover the wagon builders were not able to utilise the steel because the steel was procured for specific sizes or specifications to suit Yugoslav wagon requirements, and could not be easily adapted to other wagons and/or products. In terms of the decision taken in the meeting in August, 1975. PEC was to apply to CCI&E for approval to dispose of surplus steel at the same had been imported under an import licence issued by O/o C.C.I&E on certain conditions.

The finalisation of waiver of refund of subsidy took some time as various issues cropped up from time to time which necessitated clarifications and discussions. As the problem was complex, all

attempts were continuously made to search for an adequate solution. This position was accepted by the then JS and FA who agreed to drop his comments regarding the delay in decisions regarding utilisation of surplus steel from the note for MDA/MC.

[The Ministry of Commerce, O.M. No. 11|2|83-EP(OP)
dated the 2nd July, 1985]

CHAPTER V

RECOMMENDATIONS|OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Recommendation

The Committee find that the ossein manufacturers approached Government in January, 1977 to restrict the export of crushed bones in order to compel the importers to import ossein (the global consumers of ossein and crushed bones are practically the same). From 1977-78 export quota was released every year by the Ministry of Commerce after assessing the requirements of the ossein industry and this came to be reduced drastically after 1977-78 so much so that the level of exports of crushed bones came down from 73,006 tonnes in 1977-78 to 17,000 tonnes in 1980-81. Significantly, while the f.o.b. unit value of ossein continued to rise during the period 1978-79, 1980-81, the price per tonne of crushed bones came down in the domestic market during the corresponding period. This enabled the manufacturer of ossein to avail of the additional advantage of obtaining raw material at rates much below the international prices. It is distressing that this gain to manufacturers of ossein accrued at the cost of a large number of bone collectors belonging to the economically weaker sections of society. While admitting that Government were aware of the fall in prices of crushed bones in the domestic market, the Ministry of Commerce have contended that the fall in domestic prices of crushed bones could not be attributed to the imposition of export restrictions. Whatever be the reason the Committee strongly feel that ways and means should be found in concert with the State Governments to protect the interests of the poor bone collectors.

[S. No. 5, Appendix-II Para 1.50 of 152nd Report of PAC
(Seventh Lok Sabha)]

Action taken

Since it is the Ministry of Agriculture who determine the surplus availability for export they have been requested to take action in consultation with the State Governments on this point.

This Ministry has also provided a quota of 30,000 tonnes of crushed bones, for export in the current year.

This has the approval of Commerce Minister.

[The Ministry of Commerce O.M. No. 10(1)|83-EP(CAP)
Dt. 16th Feb., '84]

Recommendation

A contract was secured in October 1970 by the State Trading Corporation for the supply of 3600 wagons to a foreign country at a contract price of Rs. 37.45 crores. The contract was implemented by M/s. Projects & Equipment Corporation of India, a subsidiary company of the State Trading Corporation of India. The Committee are surprised to note that before finalising the contract no efforts were made by the STC to verify or ensure the availability of indigenous steel nor the position about the same ascertained from the Ministry of Steel. As the contract included about 30 per cent import content and the costing of wagons was based on the prices of indigenous steel and in view of the wide gap in the prices of indigenous and imported steel, the Committee feel that it was imperative that the State Trading Corporation should have got confirmation regarding the availability of indigenous steel from the Ministry of Steel before concluding the contract.

[S. No. 16 of Appendix-II Para 2.49 of 152nd Report of PAC
(Seventh Lok Sabha)]

Action taken

STC/PEC made efforts to seek confirmation from the Ministry of Steel regarding availability of indigenous steel. At that time the procedure for procuring steel for export orders was for the manufacturer to submit his demand through the Engineering Export Promotion Council (EEPC) *after obtaining a firm order*. Even so STC/PEC did advise the Ministry of Steel regarding requirements for the Yugoslav wagon contract in advance of signing the contract.

[The Ministry of Commerce O.M. No. 11|2|83-EP (OP)
dated the 2nd July, 1985]

Recommendation

The Committee note that while the final claim was made by the Projects and Equipment Corporation during May, 1972 to February, 1974 the detailed bill was submitted in September, 1980 only and that the same is till under examination of the Ministry and the accounts

have not yet been settled. The Committee fail to understand why the PEC took more than six years in submitting its detailed bill. The Committee would like to be informed of the reasons of the inordinate delay in submission of the final claim by the PEC and why the accounts have not been settled even by now.

[S. No. 21 of Appendix-II Para 2.54 of 152nd Report of PAC
(Seventh Lok Sabha)]

Action taken

PEC have stated that the delay in the submission of their final bill was due to the delay in settling their accounts with the clearing agent. The claims of PEC were under examination in the Government and the delay in settling the accounts has occurred on account of certain clarification being asked from the PEC on their final claims.

[The Ministry of Commerce O.M. No. 11|2|83-EP (OP)
dated the 2nd July, 1985]

NEW DELHI;
August 16, 1985

Sravana 25, 1907 (S)

E. AYYAPU REDDY,
Chairman.
Public Accounts Committee.

APPENDIX

Statement of Conclusions and Recommendations

Sl. No.	Para No.	Ministry/Deptt. concerned	Conclusions/Recommendations
1	2	3	4
1.	1.5	Ministry of Commerce/ Deptt. of Expenditure	The Committee had, from time to time, stressed the need for timely submission of action taken notes. The Finance Secretary (Expenditure) who is coordinating officer, must be responsible for ensuring that the time schedule for furnishing replies to the Committee's recommendations was adhered to scrupulously. Simultaneously, Financial Advisers attached to the different Ministries must see that final replies are furnished to the Lok Sabha Secretariat within the prescribed time limit of six months.
2.	1.6	-- do --	The present case is an example of extreme indifference. Not only the Monitoring Cell failed to keep a watch, but also the Financial Adviser attached to the Ministry of Commerce did not care either to seek any extension of time or explain the reasons for delay in furnishing replies to the Committee. This obviously defeats the objectives of setting up the Monitoring Cell. If the Parliamentary Control over the public expenditure and the executive is to be exercised effectively,

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Financial Advisers attached to the various Ministries and the Monitoring Cell would have to systematise their working and ensure that the Ministries|Departments concerned initiate action promptly on the recommendations and observations of the Committee. The Committee would like to emphasise that the Financial Advisers|Joint Secretary (Finance) in each Ministry|Department are responsible for timely submission of action taken notes. In case of serious delay as in this case, disciplinary action should be taken against them.

3. 1.8 Ministry of Commerce

The Committee expect that final replies to those recommendations and observations in respect of which only interim replies|no replies have so far been furnished will be submitted to them, duly vetted by Audit, without delay.

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4. 1.1 -- do --

The Committee do not agree with the above reply of the Ministry of Commerce. In the opinion of the Committee, the fact that the case was considered by the Marketing Development Fund (MDF), who desired the case to be studied further with reference to the exact nature of the product and by-products, its usages and relevant economics should have been brought to the notice of the Cabinet Committee while submitting the case to them. Had this been done, the Cabinet Committee would not, perhaps, have sanctioned the cash assistance in this case. This was a serious failure of the Ministry of Commerce. Moreover, if the recommendations/suggestions of a

Committee appointed by the Government are not brought to the notice of another Committee, the very purpose of appointment of such Committees is defeated.

5. 1.15 -do-

The Committee also note that the Committee appointed under the Chairmanship of Commerce Secretary, in pursuance of the decision of Cabinet Committee, recommended CCS at the rate of 10 per cent on the export of various items of chemical group which was approved by the Deputy Minister. The Committee would like to know the basis on which this Committee recommended CCS at the rate of 10 per cent. on the export of ossein and whether the recommendations of the Main Committee of Marketing Development Fund were also considered by this Committee. As an Additional Secretary in the Department of Economic Affairs and Department of Expenditure was also included in this Committee, the Committee may be apprised whether he had brought to the notice of the Committee that the case for Cash Assistance for the export of ossein was referred to the Ministry of Finance and that that Ministry did not see any justification for granting cash assistance on this item. 8

2. 1.16 do-

The Committee further observe that Cash Assistance for export of ossein was sanctioned by the Cabinet Committee from October 1975 to March 1976 and the Ministry of Commerce extended Cash Assistance at the same rate of 10 per cent of FOB realisation for another 3 years from 1 April, 1976 to 30 April, 1979. This scheme was continued further and reviewed and withdrawn with

effect from 1 October 1982. The Committee would like to know whether at any stage, the Ministry of Commerce undertook any cost study as advised by the MDF Committee. The considerations/factors which led to withdrawal of the scheme w.e.f. 1 October, 1982 also need to be explained to the Committee. The Committee would like to be informed in this regard within a fortnight of the presentation of the Report.

7. 1.21 Ministry of Commerce

From the reply of the Government the Committee note that the question of grant of Cash Compensatory Support on export of items subject to export obligations was considered by the Cabinet sometime ago and a specific decision to allow CCS on such items was taken. The Ministry have also stated that since CCS is allowed on an exported product and not for the unit where the item is manufactured on the basis of certain criteria like incidence of unrefunded taxes etc., no distinction could be made on the ground that an item is manufactured in a unit set up with foreign collaboration. The Committee is not satisfied that the above contention of the Government is valid. The Committee would again like to stress that there is no justification for cash assistance to such unit producing export goods with foreign collaboration and carrying an export obligation with built in profit under agreements. If, at all, cash assistance is given in such cases, it should be restricted to the quantity exported in excess of the export

obligation. The Committee reiterate their earlier recommendation that with the passage of time and cases like this coming up, there is need to examine the guidelines afresh in this regard with a view to ensuring that CCS is not misused.

8. 1.24 do

The Committee do not see any justification in Ministry's point of view that the cost study may not be treated as a prerequisites for fixation of rates of CCS in every case since rates of CCS are determined on the basis of approved criteria. The Committee regret that the basic importance of cost analysis in such cases is overlooked. The Committee would urge that one of the approved criteria for determining the CCS should be broad cost analysis. This is essential to curb *ad hocism* and prevent malpractices.

9. 1.27 do

The Committee is not happy with the reply of the Ministry of Commerce. They have stated that State Trading Corporation of India Ltd. (STC)/Projects and Equipments Corporation of India Ltd. (PEC) concluded the contract in October 1970 for supply of 3600 wagons to a foreign country at a contract price of Rs. 37.45 crores simply on the assumption that 9000 tonnes of indigenous steel would be available. The Ministry had stated earlier that meetings were held with Iron & Steel Controller in February and March 1971 and also after signing of the contract and that the steel required could not be supplied on account of general shortage. The Committee's specific questions as to how the estimates of indigenous availability of steel

were initially assessed, how these got reduced so drastically and how these finally turned out to be nil have not been explained by the Ministry. As the answer to the above questions is necessary, a copy each of the Minutes of the above meetings in which the Iron & Steel Controller and representatives of Steel Plants agreed to supply steel of the requisite specifications may be made available to the Committee.

10. 1.28 Ministry of Commerce

In case, STC concluded the contract, as stated by the Ministry of Commerce now simply on the assumption that about 9000 tonnes of indigenous steel would be available, the Committee reiterate their earlier recommendation that the STC should be held responsible for this lapse.

11. 1.31 - do -

The reply of the Ministry is not convincing. The Committee fail to understand why import of steel was not arranged to match the delivery schedule and manufacture of wagons from time to time. The P.E.C. have failed to regulate the imports. The Committee would like this issue to be re-examined with a view to fixing responsibility for import of surplus steel.

12. 1.34 - do -

The above explanation clearly brings out that escalation in cost which played major part in truncation of the contract as stated by Ministry of Commerce could have been controlled had prompt action

been taken to process the contract in a business like manner. All the factors brought out above in support of the actions of the Projects and Equipment Corporation of India Ltd. have come into play due to delays at all stages of execution of the contract. Care must be taken to provide for foreseeable eventualities in settling the terms of contract. Promptness in pointing out any breach of the terms by the other foreign party is essential; so that India's image in international market is kept bright.

13. 1.37 —do—

The Committee are not satisfied with the reply of the Ministry. In this connection, the Ministry had not given any reply to the specific questions asked by the Committee as to why the Projects and Equipment Corporation of India Ltd. had taken 3 years to take a decision for disposal of the surplus quantity of steel available with the various wagon builders. The Committee reiterate their earlier recommendation that the reasons for delay in taking the decision be gone into in depth and responsibility be fixed for such costly lapse.

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